

## Message Text

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PAGE 01 STATE 019741  
ORIGIN ARA-10

INFO OCT-01 ISO-00 EB-08 L-03 TRSE-00 COME-00 CIAE-00  
INR-07 NSAE-00 /029 R

DRAFTED BY ARA:JGRUNWALD  
APPROVED BY ARA:JGRUNWALD  
ARA/ECP:SHROGERS (DRAFT)  
ARA/AND/E:TALLITTO (DRAFT)  
TREASURY:JJOHNSON (INFO)  
L:SSCHWEBEL (IN"O)  
EB/IFD/OIA: SMITH (DRAFT)  
-----281925Z 090786 /44  
P 281648Z JAN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY QUITO PRIORITY

C O N F I D E N T I A L STATE 019741

E.O. 11652: GDS

TAGS: EINV, ENRG, PFOR, EC

SUBJECT: ADA/OKC INVESTMENT DISPUTE

I. IN A TELEPHONE CONVERSATION JANUARY 27, NORTHWEST  
PRESIDENT MCMILLIAN GAVE THE FOLLOWING INFORMATION TO  
DEPUTY ASSISTANT SECRETARY GRUNWALD:

1) NORTHWEST LAWYER ALLENDE SPOKE TO CLOYCE BOX,  
PRESIDENT OF OKC, WHO CONFIRMED THE PURCHASE OF ADA'S  
INTERESTS IN ECUADOR. THE PURCHASE PRICE WAS REPORTEDLY  
DOLS. 1.4 MILLION. MR. MCMILLIAN HIMSELF IS STILL NOT  
100 PERCENT CERTAIN WHETHER OKC'S BUY-OUT OF ADA HAS  
BEEN CONSUMATED.

2) BOX STATED THAT HE HAD DISCUSSED THE ADA TRANS-  
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ACTION WITH THE GOE.

3) BOX WANTS THREE MILLION DOLLARS FOR PAYMENT OF  
MATERIALS IN ECUADOR AND A TEN PERCENT INTEREST IN THE  
PROJECT FROM NORTHWEST. (IN OILMAN'S LANGUAGE, BOX  
WANTS A TEN PERCENT OVERRIDE WHICH MEANS FREE AND CLEAR  
OF EXPENSES AND DEBT.) AS THE TOTAL AMOUNT OF THE

PROJECT IS DOLS. 180 MILLION, OKC IS ASKING FOR DOLS.  
18 MILLION TO BE FINANCED AND CARRIED BY NORTHWEST. IT  
WOULD MEAN OKC WOULD SHARE IN ANY PROJECT PROFITS TO  
THE EXTENT OF TEN PERCENT.

4) MR. MCMILLIAN CONSIDERS THESE TERMS "ROUGH" AND  
"STIFF". HE IS SETTING UP AN APPOINTMENT WITH MINISTER  
RENE VARGAS FOR THE SECOND HALF OF FEBRUARY TO ASK THE  
GOE WHAT IT PLANS TO DO ABOUT OKC'S DEMANDS. MCMILLIAN  
WILL MAKE IT CLEAR TO THE GOE THAT NORTHWEST CANNOT  
ACCEPT THE TERMS UNLESS THE GOE FINANCES OKC'S TEN  
PERCENT. IN THE MEANTIME, ALL MOVEMENT IN NORTHWEST'S  
PROJECT WILL BE HELD IN ABEYANCE:

5) MCMILLIAN IS PESSIMISTIC ABOUT HIS PROJECT. HE  
DOES NOT EXPECT THE GOE TO ACCEDE TO OKC'S DEMANDS.  
NORTHWEST THEN MAY PULL OUT OF ECUADOR AND SUE BOTH  
ADA AND OKC.

COMMENT: ALTHOUGH ADA MAY NO LONGER HAVE A CLAIM AGAINST  
THE GOE, OKC CLAIMS AGAINST NORTHWEST AND NORTHWEST  
COUNTER CLAIMS AGAINST BOTH ADA AND OKC COULD CERTAINLY  
RESULT IN A NEW INVESTMENT DISPUTE. WE MAY WIND UP WITH  
TWO US COMPANIES HAVING CLAIMS AGAINST THE GOE. WE  
ARE PUZZLED BY THE LARGE DISCREPANCY BETWEEN THE  
RELATIVELY SMALL BUY-OUT PRICE REPORTED AND OKC'S RATHER  
HEAVY DEMANDS ON NORTHWEST. IT COULD MEAN THAT OKC  
AND ADA HAVE ENTERED INTO SOME FORM OF AGREEMENT UNDER  
WHICH OKC WOULD PURSUE ADA'S CLAIMS WITH SUBSEQUENT  
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REIMBURSEMENT TO ADA. ON THE OTHER HAND OKC'S DEMANDS  
MAY SIMPLY REPRESENT AN OPENING PLAY IN THEIR NEGO-  
TIATIONS WITH NORTHWEST, LEAVING ROOM FOR CONSIDERABLE  
FLEXIBILITY. END COMMENT.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INVESTMENTS, TRADE COMPLAINTS  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE019741  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** JGRUNWALD  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** ADA/OKC INVESTMENT DISPUTE I. IN A TELEPHONE CONVERSATION JANUARY 27, NORTHWEST PRESIDENT MCMILLIAN GAVE THE FOLLOWING INFORMATION  
**TAGS:** EINV, ENRG, PFOR, EC, ADA, OKC  
**To:** QUITO  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009